

# BLACKROCK GLOBAL REAL ESTATE SECURITIES FUND (AUST)



FUND UPDATE

30 April 2024

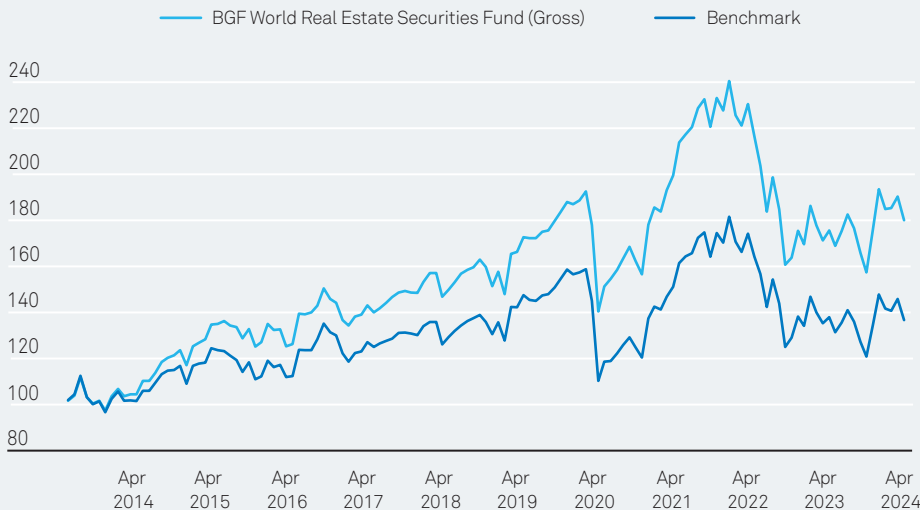
## Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Global Real Estate Securities Fund (Aust) (Class D) (Gross of Fees)	-4.12	-0.68	-1.78	-	-	-	2.34
FTSE EPRA Nareit Developed Index Net TRI (AUD)	-5.53	-1.57	-2.48	-	-	-	-0.26
Outperformance (Gross of Fees)	1.41	0.89	0.70	-	-	-	2.60
BlackRock Global Real Estate Securities Fund (Aust) (Class S) (Gross of Fees)	-4.12	-0.68	-1.79	-	-	-	2.32
FTSE EPRA Nareit Developed Index Net TRI (AUD)	-5.53	-1.57	-2.48	-	-	-	-0.26
Outperformance (Gross of Fees)	1.41	0.89	0.69	-	-	-	2.58

Fund Inception: 24 July 2023. Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees and expenses. Gross returns are provided for products offered to wholesale clients only who may be subject to differential fees. Please refer to the Fund's product disclosure statement for more information.

## Cumulative Return (Gross of fees) to 30 April 2024



The cumulative performance data refers to the track record of the Underlying Fund, BGF World Real Estate Securities Fund. Inception of the Underlying Fund: 25 February 2013.

## Portfolio Managers



**James Wilkinson**  
Managing Director,  
Global Head of Global Real  
Asset Securities



**Raj Rehan**  
Managing Director,  
Head of Real Estate  
Securities



**Benjamin Tai**  
Director,  
Senior Analyst

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## Performance Summary

### Performance Overview

In April, the World Real Estate Securities Strategy gross of fees returns outperformed the FTSE EPRA Nareit Developed Net Index, finishing the month -5.3% versus -6.0% for the reference benchmark.

### Markets

Global equity markets experienced a pullback in April with the MSCI World Index down -3.7%. This was driven by escalating tensions in the Middle East, the reconsideration of the Federal Reserve's near-term interest rate policies, and hotter than expected goods and services inflation.

The S&P 500 fell -4.1% as April's U.S. GDP miss and inflation upside surprise offered more evidence of heightened macro and market volatility. The Fed's meeting confirmed we're in a structurally higher interest rate environment and markets pared back their expectation of rate cuts this year. In addition, the window for to cut before November's U.S. election is closing, further complicating matters.

However, strong Q1 earnings in the U.S. have supported stocks. According to LSEG, 77% of S&P 500 firms reporting have beat consensus.

European stocks have seen muted growth and a weak earnings backdrop despite a surprise bump in Q1 GDP. Weak European economic activity since 2022 and cooling inflation indicates the ECB may be able to cut rates even if Fed keeps policy tight for longer.

Heightened levels of geopolitical tension compounded by a series of major elections may drive regional dispersion, presenting greater potential reward for active, nimble investments.

### Regions

Negative sentiment set in with the start of Q2 and US REITs ended the month down mid-single digits. Apartments and Healthcare saw positive performance mainly due to the AIRC's take private by Blackstone, which signaled a possible floor for values and confidence in the long-term merits of the residential sector. Healthcare continues to hold up on strong demographic demands and better reimbursement rates. Industrial, Datacenters and Self-Storage saw the largest declines. Industrial was largely dragged down by Prologis' guidance cut with Q1 results around higher for longer rates and muted demand in certain markets as tenants are delaying decision making.

Property stocks in EMEA were weak through the month of April, down -2.4%, giving back some of the strength from March and resuming the weakness seen in January and February. The sector continues to be hostage to the sticker inflation prints driving investors to reassess their expectations and timings of central bank cuts. The UK was the underperforming region down -3.4% led by weakness in Retail and Industrial sectors. The storage sector bucked the negative UK trend + 1.6% as corporate activity continued with Shurgard announcing a cash offer for Lok'nStore. Across the rest of Europe, Nordics and EU Industrial, with their higher risk profiles, were the stark underperformers through the month. The former added positive performance to the fund given our underweight in the Nordic region. German Residential saw green shoots with Vonovia's transaction in Berlin and broad residential data points showing price stabilization and accelerating rental growth, albeit the interest rate environment remained a key factor influencing Vonovia's negative share price performance for the month (-1.5%).

APAC property stocks were down in April, led by Australian REITs underperforming -8% due rising bond yields and higher-than-expected inflation prints. Singapore REITs' earnings and operational updates highlighted domestic earnings resilience against challenges faced overseas, along with the continued growth headwind from rising interest costs. Besides stock specifics, performance was negatively by the more hawkish rate sentiment globally. Hong Kong stocks were flat to slightly up, outperforming other markets, which fell. Despite headwinds from a back-up in US yields, Hong Kong stocks were helped by their already steeply discounted valuations and improving residential sales activity seen after the removal of extra stamp duties. There was also improved sentiment around China as economic indicators were stable and the government continued to find ways to

help the residential property market. Japan Developers and REITs were flat to modestly down in local terms. The Developers have made strong gains year to date. Earnings announcements and corporate releases continued to reinforce solid operating conditions and improved shareholder return policies. The JREITs also saw selective companies announcing buybacks to counter discounted share prices, but the main sector to move up were the Hotel REITs as inbound activity remains strong. Office data showed a material drop in the Tokyo vacancy rate, but this did not impact stocks much as questions remain over the 2025 supply increase.

### Stocks

#### Top Contributors

Our underweight to **Prologis**, US Industrial REIT, was a top contributor as the stock ended down for the month following a guidance cut mainly driven by weakness in Southern California's leasing velocity. We maintain our underweight partly due to seeing more compelling opportunities elsewhere, but also due to concerns that weak net absorption trends in the Industrial sector may persist in the near term, with PLD as the proxy.

**Agree Realty**, our highest quality triple net operator having collected over 99% of all rent throughout the pandemic, was also a significant contributor. The company announced strong Q1 earnings and above consensus AFFO guidance for 2024, leading to a very strong relative month.

#### Top Detractors

**Rexford**, US Industrial pure-play Southern California operator, saw weakness in April as SoCal continues to see the pronounced weakness in leasing velocity. However, SoCal has the highest rental spreads (well over 100%) and the usual drivers of industrial demand remain positive (retail sales strong, personal income and wages are growing, and onshoring trend remains a tailwind). This suggests leasing decisions aren't cancelled, but deferred, as tenants contend with higher interest rates and a less certain economic outlook.

**Realty Income** is the largest triple net owner in its sector. Our zero weight to the name combined with its large size means it is one of our largest underweights in the portfolio. It has a strong management team but its large size and international exposure to assets creates a complexity discount for us. The company modestly outperformed in the month, creating a drag for the fund.

### Changes

We added to **Equinix**, funded by a trim to peer **Digital Realty**, given its recent relative underperformance to Digital Realty. Equinix screens at an attractive indicative value upside given an indication of a positive inflection in demand for the company's retail colocation business.

We initiated a position in **NextDC** following its equity offering in April.

We initiated a position in **Alexandria (ARE)**, funded by a trim to **Healthpeak Properties (DOC)**, before DOC's earnings as the stock has outperformed over the last few weeks on more positive outlook around dispositions and share buybacks. Expectations are high and recent interest rate moves likely push out the dispositions later into the year. ARE reported with healthy results despite the supply pressures in the Life Sciences space. Both stocks are trading at a discount but the gap between the two has compressed.

We added to **Tritax Big Box**, funded by a trim to **Segro**, given the near-term catalyst of the UKCM merger completing.

### Key Positioning

The Strategy maintains its largest sector overweight positioning in Hong Kong Developers and Hong Kong REITs versus the benchmark.

The largest sector underweights are to Australian REITs and Singapore REITs.

We decreased the cash position from 1.9% to 1.4% at the end of April.

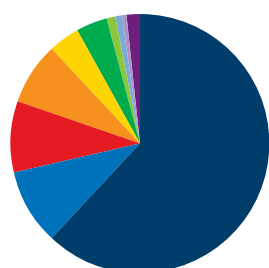
## Top Active Holdings

Holding
REALTY INCOME REIT CORP
EXTRA SPACE STORAGE REIT INC
AGREE REALTY REIT CORP
LINK REAL ESTATE INVESTMENT TRUST
REGENCY CENTERS REIT CORP
MITSUI FUDOSAN LTD
REXFORD INDUSTRIAL REALTY REIT INC
PUBLIC STORAGE REIT
MITSUBISHI ESTATE CO LTD
EQUITY RESIDENTIAL REIT

## Top Holdings

Holding	Weight %
EQUINIX REIT INC	5.19
PROLOGIS REIT INC	4.65
WELLTOWER INC	4.44
EXTRA SPACE STORAGE REIT INC	4.15
AVALONBAY COMMUNITIES REIT INC	3.11
VICI PPTYS INC	3.10
MITSUBISHI ESTATE CO LTD	2.85
LINK REAL ESTATE INVESTMENT TRUST	2.81
AGREE REALTY REIT CORP	2.66
REGENCY CENTERS REIT CORP	2.48

## Country Exposure (%)



United States	61.98
Europe Ex UK	9.52
Japan	9.02
Hong Kong	7.67
United Kingdom	3.90
Australia	3.88
Cash	1.41
Canada	1.15
Singapore	0.82
Mexico	0.64

## About the Fund

### Investment Objective

The Fund seeks to maximise total return by investing in a portfolio of global real estate securities.

### Investment Strategy

The Fund aims to achieve its investment objective through investing in the BGF World Real Estate Securities Fund (Underlying Fund).

The Underlying Fund invests globally at least 70% of its total assets in the equity securities of companies whose predominant economic activity is in the real estate sector. This may include residential and/or commercial real estate focused companies as well as real estate operating companies and real estate holding companies (for example, real estate investment trusts).

The Underlying Fund is actively managed by BlackRock Investment Management, LLC, along with other co-adviser entities that are part of the BlackRock group (Investment Adviser), a member of the BlackRock group. The Investment Adviser has discretion to select the Underlying Fund's investments. In doing so, the Investment Adviser will refer to the FTSE EPRA/Nareit Developed Index (the Index) when constructing the Underlying Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e., degree of deviation from the Index) taken by the Underlying Fund remains appropriate given the Underlying Fund's investment objective and policy. The Investment Adviser is not bound by the components or weighting of the Index when selecting investments. The Investment Adviser may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the industry sector requirements of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index.

### Should be considered by investors who...

- ▶ Seek to invest in a Fund which provides investors with access to a professionally managed portfolio of listed global real estate securities.
- ▶ Seek potential growth and income. The Fund aims to maximise return through a combination of capital growth and income.
- ▶ Want an investment which provides global exposure. The Fund provides broad exposure to a portfolio of global real estate securities that may include residential and/or commercial real estate focused companies as well as real estate operating companies and real estate holding companies.

### Fund Details

BlackRock Global Real Estate Securities Fund (Aust) (Class D)	
APIR Code (Class D)	BLK0677AU
Buy/Sell Spread	0.00%/0.00%
Fund Size	\$5,085*
Management Fee (Class D)	0.75% p.a.

BlackRock Global Real Estate Securities Fund (Aust) (Class S)	
APIR Code (Class S)	BLK4727AU
Buy/Sell Spread	0.00%/0.00%
Fund Size	\$45,833*
Management Fee (Class S)	0.55% p.a.

\* Fund size of the Australian Fund – excludes the AUM of the Underlying Fund into which the Fund invests.

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